



DELBERT HOSEMAN
Secretary of State

ECONOMIC IMPACT STATEMENT

An Economic Impact Statement is required for this proposed rule by Section 25-43-3.105 of the Administrative Procedures Act. An Economic Impact Statement must be attached to this Form and address the factors below. A PDF document containing this executed Form and the Economic Impact Statement must be filed with any proposed rule, if required by the aforementioned statute.

AGENCY NAME MS Department of Human Services	CONTACT PERSON Earl Scales, Esq.	TELEPHONE NUMBER 601-359-4237
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DESCRIPTIVE TITLE OF PROPOSED RULE CCDF Policy Manual FFY 2013		
Specific Legal Authority Authorizing the promulgation of Rule: Sec 43-1-2 et. sec.	Reference to Rules repealed, amended or suspended by the Proposed Rule: CCDF Policy Manual FFY 2013	

SIGNATURE <i>M. Earl Scales</i>	TITLE Asst. Attorney General
DATE 10/19/2012	PROPOSED EFFECTIVE DATE OF RULE 2/1/2013

1. Describe the need for the proposed action: The mission of the Division of Early Childhood Care and Development (DECCD) is to provide subsidized child care assistance to eligible, low-income parent(s) that will enable them to become and remain employed, and to empower parent(s) to select quality child care that meets the needs of their family.

DECCD administers the federal Child Care and Development Fund (CCDF), which provides subsidized child care to income-eligible Mississippi parent(s). This service is primarily accomplished through the issuance of child care certificates for parent(s) to take to their provider of choice.

DECCD previously administered the Child Care Payment Program (CCPP) using contracted resources, with a large percentage of those resources being needed to manage the attendance tracking and payment distribution processes. These processes were manually driven and paper-based, which were labor intensive and included a high risk of improper payment due to human error or false attendance claims (fraud). The payment distribution process was also largely paper-based via a monthly check generated to a provider for the prior months' attendance claim(s). These administrative processes were extremely expensive to administer and manage.

DECCD has identified several strategies to assist Providers in their efforts to provide quality care to Mississippi's children. One new strategy is Mississippi eChildcare. This is a process that captures the child's time and attendance electronically at the location of care.

The parent(s) and their designees (i.e. Household Designees) will record their child(ren)'s time and attendance at licensed providers each care day at drop off and pick up by scanning their finger that was previously registered in the Mississippi eChildcare System. Parent(s) and their designees will record their child attendance at unlicensed centers using an Interactive Voice Response (IVR) system. The Mississippi eChildcare system is not connected to any other system. It is a stand-alone system used only for capturing child care attendance records.

2. Describe the benefits which will likely accrue as the result of the proposed action: The benefits of moving to this new system for Providers will include payments being made electronically via direct deposit twice a month, parents being more involved in their child(ren)'s care and the possibility of adding more children to the Child Care Payment Program from the waiting list.
3. Describe the effect the proposed action will have on the public health, safety, and welfare: See #1
4. Estimate the cost to the agency and to any other state or local government entities, of implementing and enforcing the proposed action, including the estimated amount of paperwork, and any anticipated effect on state or local revenues: The estimated cost for this voluntary program for the federal fiscal year 2013 is \$1.6M. The providers will be able to utilize these payments faster and inject it into the state economy to run their businesses.
5. Estimate the cost or economic benefit to all persons directly affected by the proposed action: See #c below.
6. Provide an analysis of the impact of the proposed rule on small business: MDHS purchased the equipment for licensed centers to collect the child's time and attendance who have requested to be an approved child care provider. Unlicensed In-home providers who have requested to be an approved provider will have to obtain a land line telephone if they do not already have one. Most child care centers are small businesses and need payment for services to continue operation. MS eChildcare will allow for faster, more frequent payments each month via direct deposit.
 - a. Identify and estimate the number of small businesses subject to the proposed regulation: 3,500
 - b. Provide the projected reporting, recordkeeping, and other administrative costs required for compliance with the proposed regulation, including the type of professional skills necessary for preparation of the report or record: none
 - c. State the probable effect on impacted small businesses: In-home providers will have to install land line phones in their homes to participate.
 - d. Describe any less intrusive or less costly alternative methods of achieving the purpose of the proposed regulation including the following regulatory flexibility analysis:
 - i. The establishment of less stringent compliance or reporting requirements for small businesses;
 - ii. The establishment of less stringent schedules or deadlines for compliance or reporting requirements for small businesses;
 - iii. The consolidation or simplification of compliance or reporting requirements for small businesses;
 - iv. The establishment of performance standards for small businesses to replace design or operational standards required in the proposed regulation; and

The exemption of some or all small businesses from all or any part of the requirements contained in the proposed regulations: In order for the state to obtain this information from providers, we would have to visit 3,500 providers and collect their sign in and out pages where parents sign. The statewide travel would cost the state thousands of dollars. DECCD would have to assign four staff members to visit 72 providers each per week and would cost around one thousand dollars each week each employee. This would only consist of one visit per provider per year.

In order for the state to obtain this information from centers, we would have to visit them and collect their daily sign in and out pages. Without electronic support, MDHS is unable to adequately eliminate the instance of fraud.

7. Compare the costs and benefits of the proposed rule to the probable costs and benefits of not adopting the proposed rule or significantly amending an existing rule:
The drawbacks of not adopting the rule would be that additional families would not be served with the funds saved by automating program administration, providers would continue to devote their limited time and resources to attendance reporting and corrections, resulting in payments delayed by paper processing.

Determine whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rule where reasonable alternative methods exist which are not precluded by law: In the planning period, MDHS has not found an alternate method for a more cost effective way to operate this program that benefits the parents and child care providers.

In the October 5, 2012 Kiplinger report it is stated that, "it is noted that there is a nationwide trend toward biometric technology to improve security, prevent fraud, reduce payroll errors and lower liability. Options for biometrics include fingerprinting, palm vein and iris scans, gait and hand-wave recognition." MDHS selected finger scans because this process has provides the most reliable, affordable method for tracking time and attendance payments.

Using a card method is another alternative where parents would side a card through a machine to check in and out. DECCD did consider this method but decided against it because in some states where the system was previously implemented, parents left the cards at the centers. In some instances, providers continued to check the children in and out even if the children were not in attendance. DECCD felt that this would have been a waste of funds because the same problems would exist.

8. Describe reasonable alternative methods, where applicable, for achieving the purpose of the proposed action which were considered by the agency: see #7
9. State reasons for rejecting alternative methods that were described in #9 above: see #7
10. Provide a detailed statement of the data and methodology used in making estimates required by this subsection: The data and methodology used to decide on this system was a case study of Louisiana's experiences with the program. Oklahoma was also consulted regarding their experiences and savings with this technology. MDHS used estimates of the system development costs to derive the cost benefit analysis.

MDHS contacted the State of Louisiana to discuss their experience surrounding the implementation and operation of their biometric system (LA TOTS). This discussion led to knowledge of their improvements in outcomes, processes and payments to providers. The MDHS conducted a six month investigation to determine how a similar system would benefit the CCPP and its participants (i.e., families; children; providers; etc.).

In addition, MDHS participated in web-based meetings with the State Administrator and Policy Director in Oklahoma to glean information about lessons learned from implementing this technology in their state. Oklahoma was able to implement a similar program with great success and little adjustment to policy. Mississippi has elected to adopt a similar policy process.

The MDHS decided to automate the existing paper-based CCPP attendance tracking and payment distribution processes by leveraging the Agency's current Electronic Benefit Transfer (EBT) contract's Electronic Child Care (ECC) option. The attendance tracking automation will include the use of biometric finger imaging technology at licensed providers (child care centers) and Interactive Voice Response (IVR) technology at unlicensed in-home providers to authorize child care attendance. In addition, the payment distribution process will be totally electronic with providers receiving deposits into their business bank account (i.e., via an Automated Clearing House (ACH) deposit transaction) twice monthly.

The ECC automation, known as the Mississippi eChildcare System, will allow the DECCD to consolidate the CCPP, reduce improper payments, reduce fraud, improve overall efficiency and increase the number of children being served. As an expected outcome, DECCD is estimating a 40-45% savings in overall administrative cost due to automation efficiencies (~ \$1.6M - \$2.2M annually) along with a 25-30% savings in overall child care cost due to the elimination of false attendance claims by child care providers (~ \$15M - \$18M annually). The DECCD plans to use the savings to serve more children (estimated to be an additional 7,000 to 9,000 children), by reducing the current waiting list of children in need of assistance.